

NATIONAL ASSOCIATION OF SECURITIES DEALERS

National Association of
Securities Dealers, Inc.
NASD Financial Center
33 Whitehall Street
New York, New York 1000

In the Matter of the Arbitration Between

Name of Claimants

John P. Spellman & Catherine A. Spellman

vs.

90-02764

Name of RespondentsPruco Securities Corp.
Terrence SullivanREPRESENTATION

For Claimant: Paul Cox, Esq. of Burns, Bryant, Hinchey, Cox & Shulte, P.A.

For Respondent, Pruco Securities Corp.: Donita M. King, Esq.

For Respondent Terrence Sullivan: David C. Berry, Esq. of Testa Hurwitz
Thibeault.CASE INFORMATION

Statement of Claim filed: October 04, 1990.

Claimant's Submission Agreement signed on: September 20, 1990.

Respondent, Pruco Securities Corp. Statement of Answer filed on: January 11,
1991.

Respondent's Submission Agreement signed on: January 04, 1991.

Respondent, Terrence Sullivan, Statement of Answer filed on: January 08,
1990.

Respondent's Submission Agreement signed on: March 07, 1991.

HEARING INFORMATION

Hearing Date/Hearing Sessions: August 22, 1991 - Two Sessions.

Hearing Location: Boston Massachusetts.

CASE SUMMARY

Claimants allege that Respondent, Terrence Sullivan, a registered representative employed by Pruco Securities Corp., induced them to sell all of their shares held in John Hancock Tax Exempt Trust accounts and fraudulently altered the sale authorization document which caused the proceeds to be sent to Pruco Securities rather than to the Claimants. Claimants further allege that the proceeds from the sale were used to purchase Prudential-Bache Equity Fund and that Sullivan did not advise them it was a stock fund. Claimants also allege that Sullivan failed to provide them with prospectus, failed to disclose the risks involved in the transaction, failed to advise them of the transfer charge and misrepresented that there would be no redemption penalty. Claimants contend that Pruco failed to supervise Sullivan. Claimants further allege that Respondents actions amounted to a violation of the Securities Exchange Commission Regulations.

Respondent, Pruco Securities Corp., denies the allegations of wrongdoing and denies liability. Respondent contends that the NASD District Business Conduct Committee investigated the matter and determined that no action was warranted. Respondent alleges that the loss sustained by the Claimants was due to market conditions. Respondent contends that the investment was consistent with Claimants' stated investment objective and that Claimants were given the prospectus on two occasions. Respondent maintains that if Sullivan altered the sale authorization document, he did so outside the scope of his employment. Pruco interposes a Third-party Claim against John Hancock Distributors for its failure to review the transfer document. The Third-party Claim was withdrawn prior to the commencement of the hearing.

Respondent, Terrence Sullivan, denies the allegations of wrongdoing and maintains that Mrs. Spellman was dissatisfied with their investments and wanted an investment with higher rates of return. Sullivan contends that he disclosed all the risks involved, explained the "back end load" feature of the Equity Fund and the possible tax implications and provided Mrs. Spellman with a prospectus. Sullivan maintains that the authorization language on the transfer forms were changed in the presence of the Claimants.

RELIEF REQUESTED

Claimants request that the Panel award them \$35,799.50 in damages plus attorney's fees, interest and costs.

Respondents requests that the claims asserted against them be dismissed.

MOTION

Prior to the hearing, Respondent Pruco Securities Corp., filed a Motion to Dismiss the Statement of Claim based upon the fact that the fraud claims

asserted by the Claimants were barred by the applicable Statute of Limitations. Respondent Sullivan joined in the Motion. Claimants filed papers in opposition to the Motion and argued that Lamof, Pelva, Lipkind, Prupis & Petigrow v. Gilbertson, was not applicable to this case, that Respondents failed to raise the Statute of Limitations defense in their answers and that Claimants asserted tort claims as well.

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing, the undersigned arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award be entered. In either case, the parties have agreed to receive conformed copies of the Award while the originals remain on file with the NASD.

1. The Motion to Dismiss the fraud claims is granted;
2. Respondents, Pruco Securities Group and Terrence Sullivan, are hereby liable to the Claimant in the amount of Nine Thousand Seven Hundred and Sixty Two Dollars and Zero Cent (\$9,762.00) and shall pay said amount as outlined in paragraphs 3 and 4;
3. Respondent, Pruco Securities Group, is liable and shall pay Claimants Seven Thousand Eight Hundred and Eighty Four Dollars and Zero Cent;
4. Respondent, Terrence Sullivan, is liable and shall pay Claimants One Thousand and Eight Hundred and Seventy Eight Dollars and Zero Cent;
5. The claim for attorney's fees is denied;
6. The claim for interest is denied;
7. The claim for costs is denied.

FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed and any deposit previously made by the parties will be applied to the amounts assessed:

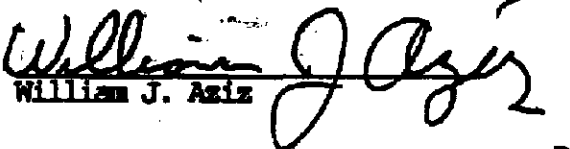
1. Forum fees in the amount of \$800.00 for two (2) hearing sessions at \$400.00 per session is assessed and shall be borne equally by the parties;
2. Claimants are assessed \$120.00 non-refundable filing fee;

3. Claimants are assessed \$266.66 in forum fees;
4. Claimants have paid and the NASD has received \$120.00 non-refundable filing fee;
5. Claimants have paid and the NASD has received \$400.00 in hearing session deposit. Therefore Claimant is due a refund of \$133.34;
6. Respondent, Pruco Securities Group, is assessed \$500.00 non-refundable filing fee;
7. Respondent, Pruco Securities Group, is assessed \$266.67 in forum fees;
8. Respondent, Pruco Securities Group, has paid and the NASD has received \$500.00 non-refundable filing fee;
9. Respondent, Pruco Securities Group, has paid and the NASD has received \$600.00 in hearing session deposit. Therefore Pruco is due a refund of \$333.33 which shall be paid as outlined in paragraph 11;
10. Respondent, Terrence Sullivan, is assessed \$266.67 in forum fees;
12. Pruco Securities Group is due a refund \$333.33 which shall be refunded as follows: \$66.66 from the NASD and \$266.67 from Respondent Sullivan.

ARBITRATION PANEL

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|-------------------------|----|---------------------|
| William M. Prifti, Esq. | -- | Chairperson -Public |
| William F. Glaser, Jr. | -- | Public |
| William J. Aziz | -- | Industry |

Concurring Arbitrator's Signature


William J. Aziz

Date of Decision: Aug 30, 1991

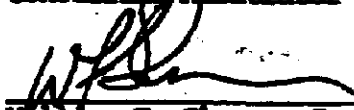
Dated by the NASD: September 19, 1991

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Concurring Arbitrator's Signature


William F. Glaser, Jr.

Date of Decision:

8/22/91

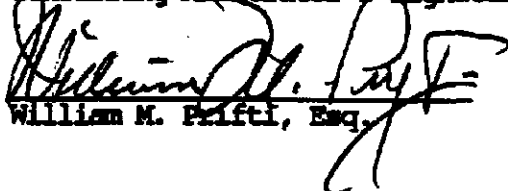
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| William F. Glaser, Jr. | — | Public |
| William J. Aziz | — | Industry |

Concurring Arbitrator's Signature


William M. Prifti, Esq.

Date of Decision: August 22, 1991

Dated by the NASD: September 19, 1991